

#### 4. Public Health: Soil and Groundwater Contamination Prosecution

Certain laws and regulations impose requirements for operation of underground storage tanks to protect the environment. The County's Health Care Agency has determined that there has been widespread non-compliance with tanks located in retail gasoline stations. This non-compliance has resulted in gasoline containing Methyl Tertiary-Butyl Ether (MTBE) seeping into the ground, posing a threat to ground water used for drinking water.



The District Attorney will aggressively pursue litigation against large oil companies to protect the County's ground water by seeking compliance with laws and regulations and by forcing oil companies to mitigate earlier leaks. Due to the complexity of the cases, the District Attorney will contract with a private sector law firm to assist with the prosecution.

The Plan assumes that the law firm will be compensated on a contingency basis at the end of the lawsuit. Thus, there would be no fees paid to the law firm during the case. If a contingency based contract cannot be utilized, the County has sufficient funds in reserve to pay legal fees as litigation proceeds.

#### 5. Environmental: Water Quality

In last year's Strategic Financial Plan, the Board of Supervisors placed a high priority on protecting watershed areas and ocean water from pollution. In 2001, the Board of Supervisors created a new section in the Public Facilities and Resources Department to focus on protecting water quality. As a result, the County, cities, and state agencies are coordinating efforts to detect and eliminate sources of pollution to ensure clean ocean water for the recreation activities of residents and visitors to Orange County. Additionally, the Board allocated over a million dollars a year to increase water quality testing, provide cost sharing grants to cities for projects to improve water quality, and to construct a state of the art water testing lab to ensure timely and accurate test results.



*"The ocean begins at our doorstep."*

In the 2002 Strategic Financial Plan, the Board has further demonstrated its commitment to clean water by identifying \$3 million to \$7 million of funds per year from cities and the County to meet more stringent requirements from the local Water Quality Boards. The ocean begins at our doorstep.

Although Credit and Debt Management was not among the five critical priorities, the Board still considers it a high priority and is committed to disciplined financial management. As a result of the bankruptcy, the County incurred \$1.4 billion of additional debt with corresponding high interest rates that translated into significant debt service payments each year. The repayment of the related debt service put a burden on the County's General Fund and prevented these revenues from being used to fund other priorities. Recognizing the desirability of reducing the debt burden, in 1997 the Board of Supervisors adopted a Credit and Debt Management Policy. The Policy was amended in June 2001. The main objectives of the Policy are to reduce expensive bankruptcy related debt, to maintain a five-year financial plan updated annually incorporating the Policy, and to consider and utilize traditional public tax-exempt debt when good government and good business practices warrant.

As of December 2001, the County reduced its bankruptcy related debt by \$333 million, including 100% of the Pension Obligation Bonds in June 2000. The remaining outstanding bankruptcy debt is \$905.3 million: \$247.5 million of 1995 Refunding Recovery Bonds and \$657.8 million of 1996 Series A Recovery Certificates of Participation (COPs).

*"Economy does not lie in sparing money, but in spending it wisely."*

Thomas Henry Huxley  
British Biologists &  
Educator

Currently there are \$92.4 million in reserves available for further debt reduction. This includes \$59.7 million budgeted in Fiscal Year 2001-2002 for debt reduction in the Debt Prepayment Fund and \$32.7 million programmed for Theo Lacy Jail Expansion Phase III in the Strategic Priority Reserves.

Lowering the financial burden on the General Purpose Revenue fund by reducing costly debt is seen as a positive factor by the rating agencies and enables the County to maintain its high credit rating. A high credit rating leads to a lower cost of borrowing should the County decide to finance a project by issuing tax-exempt debt. All three of the nation's major credit rating agencies have recently assigned high ratings to Orange County bonds. Moody's Investors Service ranked Orange County among the highest rated counties in California, citing the strategic financial planning process as a justification for this increase.

#### County's Credit Ratings

Type of Rating	Moody's	Standard & Poor's	Fitch IBCA
Issuer	Aa2	A+	N/A
1996 Recovery COPs	A1	N/A	AA-